

Questions and answers regarding the draft paper: “The Clean Water State Revolving Fund Program: Tapping Its Untapped Potential”

Why did the Office of Wastewater Management prepare this paper? The origin of the paper arises from numerous questions we have received over the years on eligibilities in the program particularly those related to nonpoint source projects under section 319. The State/EPA Workgroup began work over three years ago on a thorough review of nonpoint source eligible projects, producing a report last year that was sent to EPA. The Workgroup also sent recommendations on how the CWSRF program can support water quality trading.

In part as a response to the Workgroup’s input, we drafted this paper and in doing so decided to expand the scope to an examination of all eligibilities under the program’s three authorizing sections: 212, 319, 320. We also added a section on financial options that examine all types of assistance currently authorized in the CWSRF program and several types of funding mechanisms. Both offer considerable potential in further leveraging the program and increasing the level of assistance it provides.

Does anything in the paper require new policy or guidance? No. All references to eligibilities and financial options are made under existing statutory and regulatory authority.

Why would EPA explore, identify, and apparently promote so-called unused or underused eligibilities when the needs for traditional wastewater treatment facilities are already so great and the gap between resources and needs is so large?

In general, states should be aware of and consider all eligibilities as potentially fundable projects under the CWSRF program. The states exercise their statutory authority through their priority systems to determine what gets funded and when.

We are not suggesting or advocating a shift in current funding patterns. That is for the states to decide. We want to ensure, though, that states are fully aware of the opportunities available to them so they can make the most informed decisions possible. All relevant eligibilities should be considered in determining the most cost-effective, sustainable solutions to water quality problems. For example, water conservation, reuse and recycling projects may be a more cost effective alternative to the expansion of a treatment facility or at least reduce its size.

In our view, most of the annual assistance provided will likely continue to go for traditional 212 eligibilities of plant and pipe. At the same time, it is important to understand that we view eligibilities and financial options as integral tools for making water quality progress. They work together. Greater financial leveraging of the program in the broadest sense through creative use of its types of assistance and such funding mechanisms as intermediaries, conduits, pools, credit facilities, and interjurisdictional entities will allow increased assistance to be provided across the board. Thus, a rising tide of available funds or capacity for assistance will enable more needs to be met and the eligibilities described in the paper may offer more cost effective alternatives that further leverage scarce resources.

Are the eligibilities described in the paper implementable now? Yes. CWSRFs can fund projects with these eligibilities now. We are very interested in areas that we may have missed that should be considered.

Why doesn't the paper mention federal funding? The paper's sole focus is on the uses of funds whether in terms of eligibilities or types of financial assistance. For example one way of leveraging a SRF's assets further is to make greater use of guaranties targeted toward certain eligibilities.

Why does the paper have financial options? Why haven't these options been used by the SRFs? Creative use of the types of financial assistance now available to the SRFs could allow for more needs to be fulfilled through a significant increase in assistance provided. One key reason is that the subsidy is less with such types of assistance involving credit enhancements. However, there are ways of increasing the overall project subsidy by, for example, combining a discounted loan with a guaranty. Credit enhancements can also be used to get projects underway where there are insufficient funds to make loan commitments.

When will the paper be finished? The next draft will probably be ready by January-February, 2008. No date set yet for the final.

What follow-up activities does the agency plan? The draft paper will be presented at the annual SRF Workshop in Denver in November. We have scheduled a roundtable of interested programs at EPA's Washington office to be held in December. Two or more roundtables will be held in the regions in 2008 and 2009. In addition, we are currently working on a paper addressing ideas for strategic management of the CWSRF which will include the essential information in the draft paper. It will be ready in draft in January 2008.

What are the most significant benefits from the opportunities presented in the paper? There are several. First, more opportunities are offered with greater awareness and applications of the full array of eligibilities under the current program allowing for cheaper, better, faster projects to be built. Second, greater use of other types of assistance especially credit enhancements, hold great potential to increase significantly the assistance provided by the program. Third, it will help cope with the pervasive and persistent problems of nonpoint source pollution in a more effective and expansive way. And fourth, it opens the program up to making important contributions to climate change concerns through, for example, expanded support of green infrastructure techniques and practices and energy conservation.

Where can I get more information on the paper? Contact Stephanie vonFeck at 202/564-0609; email: vonfeck.stephanie@epa.gov or Jordan Dorfman at 202/564-0601; email: dorfman.jordan@epa.gov.